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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 06/25/07-2

Opinion polls:

- 15) Kyodo trend poll on Upper House election finds Minshuto now ahead of LDP; Cabinet non-support rate up 9 points to 57.7 %
- 16) Yomiuri net-monitor poll: Minshuto with 31 % outpacing LDP, with 26 % , as party of choice for winning Upper House race

Political agenda:

- 17) Prime Minister Abe on TV says the buck stops with him on accepting responsibility for the pension issue
- 18) Abe sees constitutional amendment in three years time
- 19) LDP Secretary General Hidenao Nakagawa does not expect Abe to step down if LDP defeated in Upper House election
- 20) Lawmaker Kamei in TV discussion predicts a major political realignment after the Upper House election
- 21) LDP panel plans assistance program to Asia that would help countries establish economic legislation
- 22) As WTO agricultural negotiations stumble, Japan's lawmakers representing farmers breathe sigh of relief
- 23) Survey of 100 top companies finds over half see economy expanding next year

OPINION

- 15) Poll: DPJ tops all parties; Cabinet support rate lowest at 33 %

TOKYO (Page 1) (Abridged)  
June 25, 2007

The rate of public support for Prime Minister Shinzo Abe and his cabinet was 33.5 % in a telephone-based nationwide public opinion survey conducted by Kyodo News Service on June 23-24 to probe public trends toward next month's election for the House of Councillors. The Abe cabinet's support rate showed a further drop of 2.3 percentage points from a telephone-based spot nationwide public opinion survey conducted June 1-2, renewing its all-time low since the Abe cabinet came into office in September last year. Its nonsupport rate rose 9.0 points to 57.7 % , breaking 50 % for the first time. The results were extremely severe for Abe.

In the survey, respondents were also asked to pick up to two issues they view as important. In response to this question, "pensions" accounted for 63.4 % , sticking out of all other answers, such as "education" at 23.4 % . As is evident from these figures, the general public is strongly dissatisfied with the government's pension record-keeping flaws. "Constitution revision" and "social divide" were both at 18.0 % , with "money and politics" at 16.9 % .

Respondents were further asked which political party or which political party's candidate they would vote for in the forthcoming House of Councillors election. In response, the leading opposition Democratic Party of Japan (Minshuto) marked 22.0 % for electoral districts. The figure was higher than those for all other political parties. The DPJ also topped all other political parties in proportional representation blocs as well, scoring 22.1 % . The ruling Liberal Democratic Party was at 21.4 % for electoral districts and 19.8 % for proportional representation.

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Among other political parties for proportional representation, New Komeito stood at 4.9 % , with the Japanese Communist Party 3.1 % , the Social Democratic Party (Shaminto) at 1.2 % , and the People's New Party (Kokumin Shinto) at 0.6 % . "Undecided" voters accounted for 42.0 % .

The biggest focus of the upcoming election is on whether the ruling coalition will maintain its current majority of the seats in the House of Councillors, including those not up for reelection. In the survey, respondents were asked if they would like the ruling coalition to maintain its majority. To this question, 48.3 % answered they would like the LDP-led coalition to lose its majority, with 36.5 % saying they would like it to sustain its majority.

16) Poll: Minshuto most popular at 31 % , LDP 26 %

YOMIURI (Page 2) (Abridged)  
June 23, 2007

The Yomiuri Shimbun conducted an Internet-based nationwide opinion poll covering 1,000 individuals ahead of the July House of Councillors election.

The results compiled yesterday found that the major opposition Minshuto (Democratic Party of Japan) was most popular among respondents with 31 % , surpassing the Liberal Democratic Party's 26 % . In comparison to a survey conducted in 2005 before then Prime Minister Junichiro Koizumi dissolved the House of Representatives for a snap election over postal reform, the LDP's figure dropped 24 points, while Minshuto's increased 11 points. In the latest survey, 4 % of respondents picked the New Komeito as their favorite party, 1 % each for the People's New Party and the New Party Nippon, and 32 % said they do have any favorite parties. The survey clearly showed a headwind against the LDP over the pension fiasco and other matters.

Asked who gives a better impression -- Prime Minister Shinzo Abe or Minshuto President Ichiro Ozawa -- Abe found favor with 35 % against Ozawa's 23 % .

A total of 50 % of respondents gave positive assessments to the

government and ruling bloc's response to the pension-record mismanagement issue, while 40 % gave negative assessments.

Those who gave positive assessments to the government and the ruling bloc's response were asked what party they would vote for in the proportional representation segment in the upcoming election. The results showed that 38 % would vote for the LDP, 27 % for Minshuto, and 24 % said undecided. In response to the same question to those who gave negative assessments, 43 % picked Minshuto, 32 % said undecided, and 12 % for the LDP.

17) Prime Minister Abe: I also have responsibility for pension fiasco

ASAHI (Page 2) (Full)  
June 25, 2007

Appearing on an NHK talk show yesterday, Prime Minister Shinzo Abe stated: "I bear greatest political responsibility" for the pension premium payment records fiasco. He showed a positive stance toward the idea of introducing a social-security numbering system that

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would cover personal information on pension and medical insurances, saying "I think a one numbering system would be convenient. Such a system would prevent this kind of "pension problem" from occurring. I would like to promote debate."

Abe also stated that he needed to make effort to explain the pension issue, saying, "It is necessary to reach a national consensus on protection of personal information, which is a very important issue."

18) Prime minister cites "constitutional revision three years later" as campaign issue for Upper House election

TOKYO SHIMBUN (Page 1) (Full)  
June 25, 2007

Appearing on an NHK news show yesterday, Prime Minister Shinzo Abe, asked about points of contention for the upcoming House of Councillors election, said: "It is necessary to declare to the public that the government will aim at revising the Constitution three years later. That is the government's honest stance."

Since assuming office, the prime minister has expressed his determination to revise the Constitution during his term in office. With the passage of the National Referendum Law in the current Diet session, it will become possible to propose constitutional revision starting three years from now. Keeping this in mind, he made a specific remark about this issue.

While reiterating the need for cooperation with the Democratic Party of Japan (Minshuto) and other opposition parties in revising the Constitution, the prime minister expressed his desire to conduct discussions, focusing on the draft constitution the LDP drew up in 2005. He said, "The LDP draft is a well-executed work, matching the new values and global circumstances."

On the sloppy pension record-keeping issue, the prime minister clearly said: "The major political responsibility rests with me."

19) LDP secretary general: Prime Minister Abe's resignation unlikely even if LDP falls short of a majority in Upper House

ASAHI (Page 2) (Full)  
June 25, 2007

Appearing on a TV Asahi program yesterday, ruling Liberal Democratic Party (LDP) Secretary General Hidenao Nakagawa took a view that there will be need for Prime Minister Shinzo Abe to step down from his post even if the ruling coalition falls short of a majority in the July 29 House of Councillors election. He stated: "Since the upcoming Upper House election is an internal appraisal of the government by voters, Prime Minister Abe's resignation will be unlikely." He, however, indicated that he might step down from his

post if the ruling camp falls short of a majority, saying, "I will risk my political life to win the Upper House race."

In the meantime, asked about his responsibility if the ruling camp fails to win majority seats in the Upper House race in July on an NHK program yesterday, Abe responded:

"If I speak on the assumption that the ruling coalition might fall short of a majority, such an assumption may lead to a situation we

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will not win the race. We will win in all elections at any cost."

Asked about the fact that some in the ruling camp say that the prime minister's responsibility has grown since he decided to extend by 12 days the current Diet session, delaying the Upper House election for a week, Abe responded: "There is no change in my responsibility regardless of whether the Diet session is extended or not. Even if the session is not extended, my responsibility will never lessen."

Appearing on the NHK program along with Abe, Minshuto (Democratic Party of Japan) President Ichiro Ozawa, refrained from responding to a question that how he would take responsibility if his party fails short of a majority in the Upper House, only saying, "I will make a clear answer sometime before the election." He, however, stated: If the ruling coalition fails to win majority Upper House seats, "Some in the LDP will talk about what to do and such an argument will be raised in our party, as well." He indicated in his remarks that effort to collect as many supporters as possible will be activated with an eye on future political realignment.

20) Kamei predicts grand coalition after election on Fuji TV's program Hodo 2001, June 24

SANKEI (Page 5) (Abridged)  
June 25, 2007

Policy chiefs of ruling and opposition parties exchanged views on the Diet extension and campaign issues for the upcoming House of Councillors election.

Diet extension

What was the reason to extend the Diet session by 12 days?

LDP policy chief Shoichi Nakagawa: "There still remain bills that must be deliberated on for the people and the state."

New Komeito policy chief Tetsuo Saito: "Passing essential bills is the ruling bloc's responsibility."

Minshuto (Democratic Party of Japan) policy chief Takeaki Matsumoto: "The ruling bloc railroaded 14 bills in the current Diet session, exposing its highhanded approach."

Japanese Communist Party policy chief Akira Koike: "The ruling bloc has intentionally extended the Diet session in a bid to defuse the public outcry over the pension fiasco."

Abolition of fixed-rate tax cut

-- Is Minshuto going to make a greater public burden a campaign issue?

Matsumoto: "Both the abolition of the fixed-rate tax cut and the transfer of tax revenue sources from the central to local governments are important. The government is hiding a heavier national burden from the public by just telling them about the transfer of tax revenue sources."

Social Democratic Party policy chief Tomoko Abe: "Although the nation's economy is said to have recovered, pensioners and salaried workers would suffer more with the elimination of the fixed-rate tax

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cut."

Upper House election victory-or-defeat line

-- Some are mentioning the responsibility of Prime Minister Shinzo Abe.

Nakagawa: "There is no need to discuss that."

Saito: "Although the New Komeito is said to win 13 seats for certain, that would be extremely difficult. For now, the ruling parties should make every effort rather than to discuss who should take responsibility.

-- Minshuto has increased its target.

Matsumoto: "Is the public going to give a majority to the ruling bloc or the opposition bloc? We take the upcoming election as an occasion for the public to make that decision."

People's New Party Deputy Representative Shizuka Kamei: "Through the election, the Liberal Democratic Party and the New Komeito will be forced into a minority, and a policy-based grand coalition will occur as a result. The PNP will take the leadership in the process."

21) LDP proposes assisting establishment of economic legal systems in Asia

NIHON KEIZAI (Page 1) (Excerpt)  
June 24, 2007

The Liberal Democratic Party (LDP) yesterday finalized a package of measures to help upgrade legal systems in the Asian region. The LDP will set up in the Prime Minister's Official Residence within this fiscal year a strategic council that will be placed under the prime minister but also joined by private-sector experts. The panel will work out cross-sectional assistance measures. It will also study the possibility of recommending the establishment of Asian law schools to study Asian unified legal systems in existing law graduate schools. In addition to the purpose of making Asian countries aware of the need for legal preparation, the LDP also aims to help Japanese firms make inroads into Asia and assist their activities there afterward by spreading Japanese legal systems across the region.

A subcommittee on future options for laws and legal work to cope with internationalization under the LDP Research Council on Legal Systems will compile a strategic vision on support for legal system arrangement by the end of this month. The government intends to incorporate necessary expenditures in the fiscal 2008 budget bill.

22) Agreement at WTO talks this year difficult: Bilateral talks will likely gather momentum; Agriculture policy clique members feeling relieved

TOKYO SHIMBUN (Page 9) (Full)  
June 23, 2005

The Group of 4 -- the US, the EU, Brazil and India -- meeting held in Germany under the Doha Round (new multilateral trade talks) at the WTO ended in rupture. A Group of 6 meeting, including Japan and

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Australia, planned for June 23, was also canceled. It now appears difficult for the talks to reach an agreement due to the breakdown. Concerned countries are expected to shift their focus to bilateral talks. In the meantime, members of the agricultural policy clique in the Diet appeared relieved now that difficult issues in the agricultural area, the focus of attention, have been shelved for the time being.

Sharp standoff

Commenting on the outlook for the WTO talks, Minister of Economy,

Trade and Industry Akira Amari during a press conference on June 22 noted, "I must admit that the situation is extremely severe." He made this remark because although it is in principle necessary to reach an agreement by the end of July in order for the WTO talks to reach an agreement before the end of the year, it is difficult to consolidate various opinions.

The reason for the breakdown of the G-4 meeting is that Brazil and India did not make concessions on cuts in tariffs on mined and manufactured products and that the US did not on a cut in agricultural subsidies. The objective of the G-4 meeting was to coordinate the interests of leading countries as a preliminary step for wrapping up the stalemated multilateral talks. However, the talks have highlighted differences in the stances of emerging economies and industrialized countries.

Amari has indicated his desire to play a role in the WTO talks at a trade ministers meeting of the Asia-Pacific Economic Cooperation Conference to be held in Australia in early July: "Only contenders are in the arena. There is no umpire." However, it is not an easy job to coordinate views of various countries within a limited time.

If that is the case, Japan will have to promote bilateral talks, such as economic partnership agreement (EPA) talks centered on the East Asia region and free trade agreement (FTA) talks, while pursuing the WTO talks. If it does so, it would be urged to revise its trade strategy, because it has yet to shift its policy to that direction from the present approach shown in the economic guidelines for fiscal 2007 released on June 19 by the government, characterizing talks with the US and the EU as future agenda items.

Sticking point averted

An atmosphere of relief, instead of a shock from the breakdown of the G-4 talks, permeated among agricultural sources regarding two respects. One is that Japan has avoided being unilaterally forced to follow the agreement reached at the G-4, in which it did not take part. One senior official of the Ministry of Agriculture, Forestry and Fisheries (MAFF) said, "It was good that conditions disadvantageous to Japan were not adopted."

The other point is that the WTO talks have lost weight as a campaign issue for the Upper House election at the end of July. One senior member of the LDP Agriculture and Forestry Division predicted that the talks would be protracted, saying, "The crisis has been staved off for the time being. It will take two more years for the talks to reach an agreement."

The Democratic Party of Japan (DPJ or Minshuto) printed flyers for the upcoming Upper House election criticizing the agricultural policy of the government and the ruling camp. They are strengthening

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their campaign in single-seat constituencies, where farmers tend to determine the fate of the election, as many such constituencies consist of farm villages. The ruling camp had been concerned that if conditions disadvantageous to Japan, such as cuts in tariffs on agricultural products, are adopted, it might lose agriculture-related votes.

The G-4 talks have for the time being put off reaching an agreement. However, the basic policy of calling on industrialized countries to cut tariffs on agricultural products will remain at multilateral talks, which will become a key venue for future WTO talks. Agricultural organizations intend to closely monitor the future situation with one official noting, "The situation is far from optimistic."

23) In poll, 55 of 100 firms expect continued economic growth next year

ASAHI (Page 1) (Excerpts)  
June 24, 2007

A survey of 100 Japanese firms by the Asahi Shimbun showed that executives at Japanese firms are optimistic about the future of the

Japanese economy, with 55 predicting that the longest economic expansion of the postwar era will continue into next year. Although those who said that the current economic situation was "standing still" slightly increased, many anticipate that the economy will grow at a moderate pace in the near future.

The survey is conducted twice a year. The latest one was carried out June 1-15 targeting 50 manufacturing and 50 nonmanufacturing firms by interviewing their chief executive officers.

Asked about the present state of the economy, 84 companies said that the economy is "expanding" or "moderately recovering." This figure is 4 points less than in the previous survey. Meanwhile, 16 firms, up 4, said that the economy has stalled. Mitsubishi Heavy Industries President Kazuo Tsukuda made this analysis: "In some industries, capital investment, which has played a role in driving the economy, is now at a standstill. Exports to the United States in some sectors are also slowing down."

A number of executives were upbeat about the economy. In the previous survey conducted last November, only 18 firms said that the economy will continue to expand in 2008 and beyond, but this number tripled about six months later, probably encouraged by the restructuring of excessive investment, debts, and employment.

Regarding the speed of economic expansion, however, Taiheiyo Cement Corp. President Samejima commented: "The economy is growing not conspicuously but steadily. So the economy will not suddenly lose momentum." Tokio Marine & Nichido Fire Insurance Co. Managing Director Takaaki Tamai also said, "Although it is a low peak, there is no valley." Only two executives predicted that the economy would grow at more than 2.5 % , and most respondents estimated the growth rate at 1.5 % to just over 2 % .

Asked about a cause for concern, 75 firms cited the future of the US economy. This figure is 5 points less than in the previous survey, but the survey showed that many executives still harbor a sense of alarm about the US economy.

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The number of companies that listed a further rise in oil and raw material prices significantly increased to 20. A decreasing number of firms cited stagnant personal consumption.

SCHIEFFER